

Message Text

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ACTION SS-25

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INFO AMEMBASSY AMMAN

AMEMBSSY BEIRUT

AMEMBASSY CAIRO

AMEMBSSY DAMASCUS

AMCONSUL JEFUSALEM

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBSSY MOSCOW

AMEMBSSY PARIS

USMISSION UN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 7498

EXDIS

C O R R E C T E D C O P Y (TEXT)

BEIRUT POUCH BAGHDAD

E.O.11652: GDS

TAGS: FPRO, PINT, IS, US, XF

SUBJECT: ISRAEL-- A HARD YEAR ENDS, A TOUGHER ONE BEGINS

SUMMARY: FOR ISRAEL 1975 BEGINS IN INEVITABLY SOMBRE MOOD. DOMINANT ISSUE REMAINS PROSPECT OF WAR OR PEACE, BUT DEEPER UNDERLYING QUESTIONS ARE WHETHER POLITICAL AND ECONOMIC DYNAMICS OF ARAB WORLD EVER WILL PERMIT ARABS TO COME TO TERMS WITH ISRAEL'S LGITIMACY AND EXISITENCE, AND WHETHER ISRAELIS ARE ABLE TO COMPROMIE SUFFICIENTLY TO SUSTAIN SUCCESSFUL NEGOTIATIONS. IN IMMEDIATE FUTURE, ISRAELIS ARE AWARE THAT THEY FACE PLETHORA OF POLTICIAL, MILITARY AND ECONOMIC PROBLEMS WHICH EFY QUICK SOLUTIONS AND, IN ANY CASE, CANNOT BE RESOLVED SOLEY BY THEIR OWN ACTIONS, MOST
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AGREE WITH PRIME MINISTER' JUDGMENT THAT COUNTRY IS AT

BEGINNING OF "SEVEN LEAN YEARS". AFTER EUPHORIA AND PROSPERITY OF 1967-1973 PERIOD, COUNTRY IS IN THROES OF HARD AND DIFFICULT ADJUSTMENT TO POSTWAR REALITIES. END SUMMARY.

1. ISRAEL FACES 1975 IN SUBDUED AND SOMBRE MOOD, HOPING FOR RENEWD MOMENTUM IN SEARCH FOR NEGOTIATED SETTLEMENTS OF ARAB-ISRAELI DISPUTE BUT DEEPLY AWARE OF POSSIBILITY OF FIFTH ARAB-ISRAELI WAR. MOST ISRAELIS ARE FATALISTIC ABOUT INEVITABILITY OF ANOTHER WAR SOONER OR LATER, CONVINCED THAT ROOT OF ARAB-ISRAELI CONFLICT REMAINS UNWILLINGNESS OF ARAB STATES TO COME TO TERMS WITH LEGITIMACY AND PERMANENCE OF ISRAEL'S EXISTENCE AS SOVEREIGN STATE. THEIR PESSIMISM IS REINFORCED BY PERVASIVE SENSE OF ISOLATION IN HOSTILE OR INDIFFERENT WORLD.

2. IN RETROSPECT ISRAELIS, AFTER SHOCK OF OCTOBER WAR, LOOK BACK ON FIRST HALF OF 1974 AS CONSTRUCTIVE PHASE IN FOREIGN POLICY AND DOMESTIC AREAS, ACHIEVEMENT OF DISENGAGEMENTS AGREEMENTS WITH EGYPT AND SYRIA UNDER US AUSPICES RAISED EXPECTATION OF CONTINUED MOVEMENT TOWARD NEGOTIATED SETTLEMENTS. TRANSFER OF POWER FROM OLD GUARD (MRS MEIR, DAYAN, SAPIR AND EBAN) TO NEW LEADERSHIP GROUP LED BY YITZHAK RABIN REPRESENTED MORE THAN ROUTINE CHANGE OF COMMAND. IT SEEMED TO SYMBOLIZE COMING OF AGE OF AUTHENTICALLY ISRAELI GENERATION FOR WHOM EASTERN EUROPEAN GHETTOS AND HOLOCAUST WOULD BE IMPORTANT HISTORICAL EVENTS RATHER THAN SEARING PERSONAL MEMORIES, THUS HOPEFULLY CAPABLE OF FORMULATING MORE FLEXIBLE AND PRAGMATIC POLICIES THAN ITS PREDECESSOR.

3. SECOND HALF OF 1974, IN CONTRAST, WAS SEEN BY ISRAELIS AS PERIOD OF SLOWDOWN IF NOT VIRTUAL STALEMATE ON NEGOTIATING FRONT, AND OF ARAB POLITICAL CONSOLIDATION FOR CONTINUED CONFRONTATION WITH ISRAEL IN 1975. RABAT SUMMIT CONFERENCE DECISION RECOGNIZING PLO AS SOLE REPRESENTATIVE OF PALESTINANS, ARAFAT'S UN APPEARANCE AND FAHMY'S STATEMENT ON PROHIBITING IMMIGRATION FOR FIFTY YEARS STAND OUT AS HIGHLIGHTS OF THIS PROCESS.

4. ISRAEL-US RELATIONS, ISRAEL'S VIRTUALLY TOTAL DEPENDENCE
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ON US CONSTITUTES COMPLICATED POLITICAL AND PSYCHOLOGICAL REALITY FOR ISRAELIS. ON ONE HAND, THEY REMAIN GRATEFUL FOR US POLITICAL, MILITARY AND ECONOMIC SUPPORT, AND RECOGNIZE CENTRALITY OF US FOR NEGOTIATING PROCESS TO WHICH THEY ARE PUBLICLY COMMITTED. ON OTHER HAND, DOUBTS ARE EXPRESSED ABOUT WASHINGTON'S INTENTIONS. ISRAELIS FEAR THAT US INTERESTS IN ARAB WORLD, CONCERN FOR POSSIBLE IMPLICATION OF NEW WAR AND PROBABLE OIL BOYCOTT ON EUROPEAN POLITICAL AND

ECONOMIC STABILITY, AND COMMITMENT TO US-USSR DETENTE
MAY GENERATE STRONG AMERICAN PRESSURES FOR TERRITORIAL
CONCESSIONS DETRIMENTAL TO ISRAEL'S "VITAL SECURITY INTERESTS."

5. SOVIET MIDEAST ROLE. ISRAELIS CONTINUE TO VIEW SOVIET
ACTIVITY IN MIDEAST AS THREAT TO ISRAELI INTERESTS AND TO PEACE
PROSPECTS. THEY SEE SOVIETS AS MAIN ARMS SUPPLIER FOR
ARABS AND AS MOVING FORCE FOR EARLY CONVOCATION OF GENEVA
CONFERENCE, INCLUDING SOME FORM OF PLO PARTICIPATION.
ISRAELIS ARE PARTICULARLY WORRIED ABOUT IMPLICATIONS OF
PRESENT NEGOTIATIONS WITH USSR, WHICH THEY BELIEVE MAY
LEAD TO RENEWED SOVIET-EGYPTIAN RAPPROACHMENT,
BUILD-UP OF EGYPT'S MILITARY ARSENAL, AND FURTHER CONSTRAINTS
ON US MANEUVERABILITY TOWARD SECOND-STAGE ISRAELI
EGYPTIAN NEGOTIATED POLITICAL SETTLEMENT.

6. ARAB WAR OPTION, ISRAELIS BELIEVE THAT ARAB STATES HAVE
AND MAY CHOOSE TO EXERCISE WAR OPTION SOMETIME IN
1975. THEY REGARD ARABS AS INTOXICATED BY POLITICAL-
MILITARY "SUCCESS" OF OCTOBER 1973 WAR, CONSCIOUS OF THEIR
ECONOMIC -POLITICAL LEVERAGE AND CONVINCED THAT TIME IS
RUNNING ON ARAB SIDE. ISRAELIS COMMENTATORS HAVE NOTED
THE IDF NOW IS IN OR NEAR OPTIMUM CONDITION FOR RENEWED
HOSTILITIES, AND THAT PASSAGE OF TIME WILL NARROW GAP BETWEEN
CAPABILITIES OF TWO SIDES. RIGHTWING, HARDLINE ELEMENTS
OF ISRAELI PUBLIC DOUBTLESS FAVOR PREEMPTIVE STRIKE AT
APPROPRIATE RELATIVELY EARLY OPPORTUNITY, WHILE MORE
MODERATE ELEMENTS ARE AWARE OF DANGEROUS IMPLICATIONS
FOR ISRAEL-US RELATIONS AND ISRAEL'S WORLD IMAGE. RABIN
ALSO HAS MADE POINT THAT THERE IS NO MILITARY SOLUTION
TO ARAB-ISRAELI CONFLICT, ALTHOUGH EVEN HE APPARENTLY
BELIEVES THAT WAR IS PROBABLE. REPORTEDLY, HIS
"SEVEN LEAN YEARS" PREDICTS WAR FROM WHICH ISRAEL
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WOULD EMERGE IN SOMEWHAT STRENGTHENED STRATEGIC MILITARY
POSITION.

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7. TERRORISM. AFTER SEVERAL YEARS IN WHICH PALESTINIAN TERRORISM HAD CONCENTRATED ON AIRPLANE HIJACKINGS, AIRPORT ATTACKS AND INDICADETS OUTSIDES OF ISRAEL, 1974 WILL B RECALLED AS YEAR IN WHICH TERRORISTS REPEATEDLY PENETRAED INTO ISRAEL, ATTACKING FRONTIER SETTLEMENTS, DEVELOPMENTS TOWNS AND IN DECEMBER DOWNTOWN TEL AVIV AND JERUSALEM. IN TURN IDF HAS NTENSIFIED ITS REPRISAL ACTIVITIES IN SOUTHERN LEBANON, BORDER FORTIFICATIONS HAVE BEEN IMPORVED AND CIVIL GUARD HAS BEEN CREATED TO PATROL SCHOOLS AND OTHER PUBLIC LOCATIONS. ONLY BIRGHT NOTE FROM ISRAELI VIEWPOINT IS CESSATION OF TERRORIST INCURSIONS ACROSS SYRIAN BORDER IN AFTERMATH OF SYRIAN-ISRAELI DISENGAGEMENT AGREEMENT, AND REALTIVE QUIET ON LONG ISRAELI-JORANAINA BORDER. HOWEVER, ISRALIS EXPECT THAT TERRORISM IS LIKELY TO CONTINUE AND POSSIBLY INTENSIFY IN 1975.

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8. PALESTINANS AND THE WEST BANKM MST DISTURBING SPECT OF 1974 FOR MOST ISRAELIS WAS ACHIVEMENT OF PLO IN GAINING RECOGNITION BITH WITHIN ARAB WORLD AND AT UN AS SOLE REPRESENTATIVE OF PALESTINANS. MANY ISRAELIS BELIEVE THAT GOI MISSED OPPORTUNITY TO NEGOTIATE INTERIM SETTLEMENT WITH HUSSEIN THIS SUMMER, AND DOUBT THAT COMPARABEL OPPORTUNITY IS LIKELY TO RECUR SOON. THEY ARE ALSO SKEPTICAL OF

PROSPECTS FOR DEVELOPMENT OF INDIGENOUS WEST BANK LEADERSHIP WHICH GOI LEADERSHIP PRESENTLY IS OFFERING UP AS ALTERNATIVE TO DEALING WITH PLO. INEFFECT, ISRAELIS SEE THEMSELVES BOXED INTO TIGHT CORNER ON PLO ISSUE, UNWILLING TO NEGOTIATE WITH TERRORISTS WHOM THEY PERCEIVE AS COMMITTED TO DESTRUCTION OF JEWISH STATE BUT AWARE THAT EFFORT TO MAINTAIN STATUS QUO ON WEST BANK IS RUNNING AGAINST TIDE OF HISTORY. PRIVATELY ISRAELIS ARE GRATEFUL TO ARAFAT FOR COMING ACROSS A UN AS EXTREMIST AND ARE AWARE THAT ARAFAT COULD HAVE GENERATED INTENSE PRESSURE ON GOI HAD HE MADE MODERATE PRESENTATION INDICATING READINESS TO COEXIST WITH ISRAEL.

9. ECONOMIC DEVELOPMENTS DURING YEAR REINFORCED ISRAELI PERCEPTION THAT EVNETS MIGHT BE SLIPPING BEYOND THEIR CONTROL. WHILE PRIVATE CONSUMPTION AND GNP GREW BY ALMOST FIVE PERCENT IN REAL TERMS, INFLATION SOARED, FOREIGN EXCHANGE RESERVES DROPPED BY ALMOST ONE HALF AS BALANCE OF PAYMENTS DEFICIT ROSE TO \$3.5 BILLION. SEVERE DROP IN TOURISM ADDED TO PROBLEM. THUS GOVERNMENT WAS COMPELLED IN NOVEMBER TO TAKE DRASTIC STEPS TO REDUCE SPENDING AND CONSERVE FOREIGN EXCHANGE. WHILE EVEN STRONGER ACTION WAS ADVOCATED BY SOME TO STEM INFLATION, GOVERNMENT WAS RESTRAINED BY FEAR OF UNEMPLOYMENT AND NEED TO PROVIDE ATTRACTIVE LIVELIHOOD FOR NEW IMMIGRANTS. LARGEST ELEMENT IN ISRAEL'S ENORMOUS IMPORT BILL IS MILITARY AND INCREASINGLY US IS RELIED UPON TO FINANCE THESE IMPORTS. FUNDING OF MILITARY PURCHASE WILL BE ONE OF MOST CRITICAL ISSUES IN US/ISRAEL RELATIONS IN COMING YEARS.

10. GIVEN MAGNITUDE OF PROBLEMS CONFRONTING NATION, ISRAELIS HAD HOPED THAT NEW GOVERNMENT WOULD GIVE THEM RENEWED SENSE OF CONFIDENCE AND PERHAPS EVEN FIND SOME FRESH APPROACH. WE BELIEVE THAT RABIN ON BALANCE HAS DONE GOOD JOB IN FIRST SEVEN MONTHS IN OFFICE, CONFIDENTIAL

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BUT ISRAELIS THEMSELVES HAVE MIXED JUDGMENTS. WE HAVE NOTED IN SOME CIRCLES SENSE OF DISAPPOINTMENT, PARTICULARLY THAT RABIN AND HIS ASSOCIATES SEEM TO BE PURSUING SAME FOREIGN POLICY LINES AS PREVIOUS MEIR GOVERNMENTS. SOME BELIEVE RABIN HIMSELF WOULD BE INCLINED TO SHOW GREATER FLEXIBILITY ON TERRITORIAL ISSUES BUT IS RELUCTANT TO INCUR WRATH OF MRS MEIR AND DAYAN, AND JEOPARDIZE HIS COALITION. MODERATE ISRAELIS ALSO HAD HOPE FOR NEW APPROACH TO PALESTINIAN QUESTION.

1. IN ADDITION, RABIN HIMSELF IS REGARDED AS UNCHARISMATIC, AND CRITICIZED FOR SPEAKING TOO MUCH. CABINET IS SEEN AS COLORLESS AND LACKLUSTER, ALTHOUGH THERE IS NO NOSTALGIA FOR MEIR GOVERNMENT (SAPEI AND EBAN ARE PARTICULARLY OUT OF

FAVOR AT MOMENT, FORMER FOR POSSIBLE INVOLVMENT IN SCANDALS
AND LATTER FOR ABSENTING HIMSELF FOR TWO MONTHS FROM KNESSET TO
TEACH AT COLUMBIA).

12. SOME ISRAELIS BELEIVE THAT NAIONAL UNITY GOVERNMENT INCLUDING
RIGHTWING OPPOSITION LIKUD IS ONLY ANSWER. HOWEVER, DOMINANT VIEW
HER IS THAT CURRENT GOVERNMENT COALITION IS IN NO IMMINENT DANGER, AND

THAT UNITY GOVERNMENT OPTION WILL ARISE IN EVENT OF SHARP
DETERIORATION IN POLITICAL OR MILITARY SITUATION, INERTIAL FORCES OF
ISRAELI POLITICS, CONTINUED DOMINANCE OF LABOR PARTY AND INABLILTIY
OF LIKUD TO CONVINCE ISRAELIS THAT IT CONSTITUES SERIOUS ALTERNATIVE
OPERATE IN RABIN'S FAVOR.

13. IN SUM, ISRAELIS FACE 1975 TROBULED AND WITH A FEELING OF EVENTS
CLOSING IN ABOUT THEM, YET DETERMINED TO ENDURE. MORE THAN EVER
BEFOE THEY MUST RELY ON US FOR POLITICAL, ECONIMC AND MILITARY
SUPPORT, WHILE AT SAEM TIME THERE IS GROWIN REALIZATION AHT ISRAELI
AND US INTERESTS DO NOTALWASY COINCIDE. ON AL IMPORTANT TERRITORIAL
ISSUE, RABIN GOVERNMENT IS ONLY SLIGHTLY LESS UNYIEDLING THAN PREVIOUS

ISRAELI GOVERNMENTS, BUT NEVERLTHELESS IS COMMITTED TO NEGOTIATING
PROCESS. OUT RAKS IS TO PROVIDE CATALYST AND TO ENCOURAGE SPIRIT
OF COMPROMISE IN SUPPORT OF THIS PROCESS.
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